

TIPTON COMMUNITY SCHOOL DISTRICT
TIPTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-17
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	20-21
B Statement of Activities	22-25
Governmental Fund Financial Statements:	
C Balance Sheet	26-27
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	28
E Statement of Revenues, Expenditures and Changes in Fund Balances	29-30
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	31
Proprietary Fund Financial Statements:	
G Statement of Net Assets	32
H Statement of Revenues, Expenses and Changes in Net Assets	33
I Statement of Cash Flows	34-35
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	36
K Statement of Changes in Fiduciary Net Assets	37
Notes to Financial Statements	38-53
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	56
Notes to Required Supplementary Information – Budgetary Reporting	57
Schedule of Funding Progress for the Retiree Health Plan	58
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	60
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	61
Capital Projects Accounts:	
3 Combining Balance Sheet	62
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	63
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	64-65
6 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	66
7 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	68-69
8 Schedule of Expenditures of Federal Awards	70-71
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	72-73

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	74-75
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76-81

TIPTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Duane Webb	President	2011
Sue McGuinty	Vice President	2011
Mark Forest	Board Member	2011
Bill Schwitzer	Board Member	2013
Diane Wallick	Board Member	2013
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2013
Jim Becker	District Secretary/Treasurer and Business Manager	2011
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Tipton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2011 on our consideration of Tipton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 55 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
October 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tipton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,285,301 in fiscal 2010 to \$8,005,660 in fiscal 2011, and General Fund expenditures increased from \$7,391,369 in fiscal 2010 to \$7,721,331 in fiscal 2011. The District's General Fund balance increased from \$980,133 in fiscal 2010 to \$1,264,462 in fiscal 2011, a 29.01% increase.
- The increase in General Fund revenue in fiscal year 2011 was attributable to an increase in state aid money, a property tax levy to help offset the state budget cut, and federal education jobs money granted to Iowa schools. The increase in expenditures was due primarily to the negotiated salary and benefits settlement and teacher quality payments to the certified staff. The increase in expenditures was offset enough by the increase in revenues to allow the district to have an increase in the general fund balance.
- A decrease in interest rates for the 2011 fiscal year resulted in interest earnings in the General Fund alone decreasing from \$1,531 in fiscal 2010 to \$1,325 in fiscal 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tipton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tipton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tipton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tipton Community School District Annual Financial Report

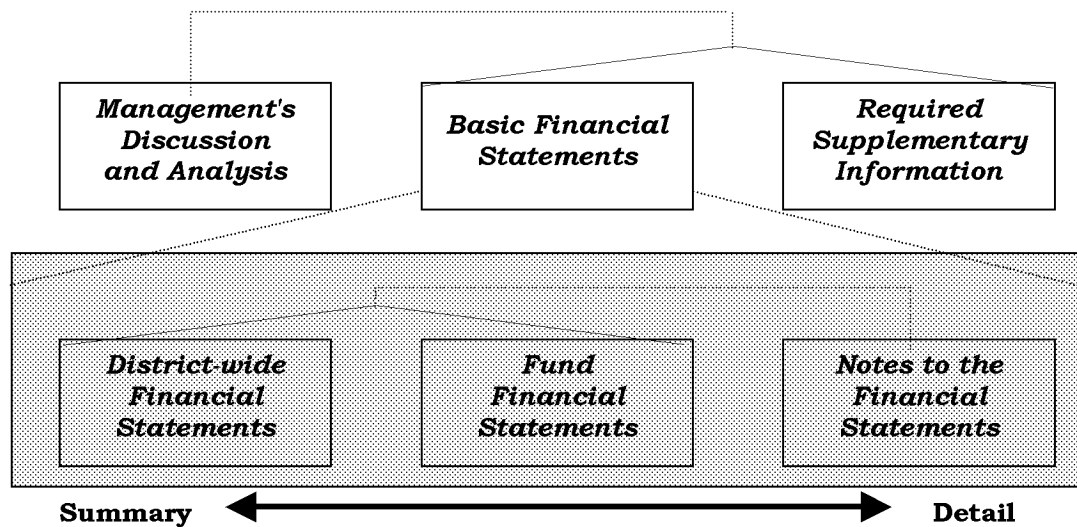


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food services Flexible benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$7,411,233	\$ 6,978,361	\$51,534	\$ 63,285	\$7,462,767	\$ 7,041,646	5.98%
Capital assets	<u>7,880,233</u>	<u>7,893,712</u>	<u>53,260</u>	<u>46,778</u>	<u>7,933,493</u>	<u>7,940,490</u>	-.09%
Total assets	<u>15,291,466</u>	<u>14,872,073</u>	<u>104,794</u>	<u>110,063</u>	<u>15,396,260</u>	<u>14,982,136</u>	2.76%
Long-term obligations	4,265,754	4,620,408	-	-	4,265,754	4,620,408	-7.68%
Other liabilities	<u>3,895,083</u>	<u>3,913,715</u>	<u>22,831</u>	<u>26,007</u>	<u>3,917,914</u>	<u>3,939,722</u>	-.55%
Total liabilities	<u>8,160,837</u>	<u>8,534,123</u>	<u>22,831</u>	<u>26,007</u>	<u>8,183,668</u>	<u>8,560,130</u>	-4.40%
Net assets							
Invested in capital assets,							
net of related debt	3,835,233	3,333,712	53,260	46,778	3,888,493	3,380,490	15.03%
Restricted	2,037,728	1,929,958	-	-	2,037,728	1,929,958	5.58%
Unrestricted	<u>1,257,668</u>	<u>1,074,280</u>	<u>28,703</u>	<u>37,278</u>	<u>1,286,371</u>	<u>1,111,558</u>	15.73%
Total net assets	<u>\$7,130,629</u>	<u>\$ 6,337,950</u>	<u>\$81,963</u>	<u>\$ 84,056</u>	<u>\$ 7,212,592</u>	<u>\$ 6,422,006</u>	12.31%

The District's combined net assets increased by approximately 12%, or \$790,586, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$107,770, or approximately 5.58% from the prior year. The increase was primarily a result of funds restricted from capital projects in which the funds will be expensed on building projects in a future fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$174,813, or approximately 15.73%. This increase in unrestricted net assets was a result of an increase in property taxes to help offset a portion of the state budget cut.

Figure A-4 shows the change in net assets for the year ended June 30, 2011.

	Figure A-4 Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 994,072	\$ 800,704	\$ 275,695	\$ 278,901	\$ 1,269,767	\$ 1,079,605	17.61%
Operating grants and contributions	1,500,658	1,267,460	201,939	214,587	1,702,597	1,482,047	14.88%
Capital grants and contributions	-	-	20,357	-	20,357	-	n/a%
General revenues							
Property tax	3,199,915	2,883,537	-	-	3,199,915	2,883,537	10.97%
Income Surtax	407,594	449,934	-	-	407,594	449,934	-9.41%
Local option sales and service tax	543,350	507,751	-	-	543,350	507,751	7.01%
Unrestricted state grants	3,081,737	3,104,249	-	-	3,081,737	3,104,249	-.73%
Unrestricted investment earnings	8,778	9,541	62	63	8,840	9,604	-7.96%
Other	<u>51,238</u>	<u>20,120</u>	<u>-</u>	<u>-</u>	<u>51,238</u>	<u>20,120</u>	154.66%
Total revenues	<u>9,787,342</u>	<u>9,043,296</u>	<u>498,053</u>	<u>493,551</u>	<u>10,285,395</u>	<u>9,536,847</u>	7.85%
Program expenses							
Governmental activities							
Instruction	5,611,945	5,208,427	-	-	5,611,945	5,208,427	7.75%
Support services	2,443,475	2,405,457	-	-	2,443,475	2,405,457	1.58%
Non-instructional programs	19,818	37,999	500,146	500,944	519,964	538,943	-3.52%
Other expenses	919,425	758,622	-	-	919,425	758,622	21.20%
Loss on Sale of Fixed Assets	<u>-</u>	<u>24,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,040</u>	-100.00%
Total expenses	<u>8,994,663</u>	<u>8,434,545</u>	<u>500,146</u>	<u>500,944</u>	<u>9,494,809</u>	<u>8,935,489</u>	6.26%
Excess (deficiency) before transfers	792,679	608,751	(2,093)	(7,393)	790,586	601,358	31.47%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Change in net assets	<u>\$ 792,679</u>	<u>\$ 608,751</u>	<u>\$ (2,093)</u>	<u>\$ (7,393)</u>	<u>\$ 790,586</u>	<u>\$ 601,358</u>	31.47%

In fiscal 2011, property tax and unrestricted state grants account for 64% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 95.9% of the revenue from business type activities.

The District's total revenues were \$10,285,395 of which \$9,787,342 was for governmental activities and \$498,053 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.85% increase in revenues and a 6.26% increase in expenses. Property tax increased \$316,378. The increase in expenses comes mostly in the instruction and support service areas due to the negotiated salary and benefits settlement with certified and non-certified staff.

Governmental Activities

Revenues for governmental activities were \$9,787,342 and expenses were \$8,994,663. The District was able to balance the budget with increased revenue.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 5,611,945	\$ 5,208,427	7.75%	\$3,698,615	\$ 3,734,345	-.96%
Support services	2,443,475	2,405,457	1.58%	2,193,668	2,139,423	2.54%
Non-Instructional Programs	19,818	37,999	-47.85%	19,818	37,999	-47.85%
Other Expenses	<u>919,425</u>	<u>782,662</u>	17.47%	<u>587,832</u>	<u>454,614</u>	29.30%
Total expenses	<u>\$8,994,663</u>	<u>\$ 8,434,545</u>	6.64%	<u>\$ 6,499,933</u>	<u>\$ 6,366,381</u>	2.10%

- The cost financed by users of the District's programs was \$994,072.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,500,658
- The net cost of governmental activities was financed with \$4,150,859 in property and other taxes and \$3,081,737 in unrestricted state and federal grants.

Business Type Activities

Revenues for business type activities were \$498,053 representing a .91 percent increase over the prior year while expenses totaled \$500,146, a .16 percent decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District's federal revenue increased due to increases in participation of the number of meals served. This increase in revenue was more than offset by salaries and benefits for nutrition staff and food supplies.

INDIVIDUAL FUND ANALYSIS

As previously noted, Tipton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,110,646, which is above last year's ending fund balances of \$2,650,174. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the District having facility projects which have not begun and have therefore, not incurred any expenses as of June 30, 2011.

Governmental Fund Highlights

- The District's increase in the general fund financial position is the result of receiving additional federal money for education jobs funding and an increase in property tax revenues to offset state budget cuts. The District's increase in general fund expenditures was in large part due to personnel salary and benefit settlements.
- The General Fund balance increased from \$980,133 to \$1,264,462, as stated earlier this increase is due to additional federal jobs money and additional property tax to offset the state budget cuts.
- The Capital Projects Fund balance increased from \$848,772 in fiscal 2010 to \$1,022,912 in fiscal 2011. Beginning with the 2011 fiscal year, the physical plant and equipment levy funds are included in the capital projects funds. The physical plant and equipment fund balance accounts for \$372,061 of the total capital project fund balance. The District had several smaller projects, which were expensed in 2011, however, the District did not begin any major projects in fiscal year 2011 which allowed the fund balance to increase.
- The Debt Service Fund balance decreased from \$247,835 in fiscal 2010 to \$231,553 in fiscal 2011. The District continues to hold a reserve for the elementary project bond issue. The reserve balance continues to decline as the principal amount owed declines. The payment on the elementary project bond has a payment date of January 1 and July 1 each year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$84,056 at June 30, 2010 to \$81,963 at June 30, 2011, representing a decrease of approximately 2.49%. For fiscal 2011, the District's increase in salaries and benefits resulted in a decrease in net assets. Depreciation of capital assets also contributed to the overall decrease in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with additional nutrition expenses.

The District's revenues were \$391,489 more than budgeted revenues, a variance of approximately 3.9%. A large portion of this variance came from Federal sources where the district received Education Job Funds which were announced after the budget was completed and Medicaid reimbursement money received was more than originally budgeted.

Total expenditures were \$607,598 less than the amended budget, due primarily to the District's budget for the General Fund and the budget for the Capital Projects and PPEL funds. It is the District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget for the General Fund should always exceed actual expenditures for the year. However, expenditures in the support services function still exceeded the budget by \$21,643.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7,933,493, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately .09% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$339,033.

The original cost of the District's capital assets was \$13,040,833. Governmental funds account for \$12,773,964, with the remainder of \$266,869 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2011 fiscal year occurred due to equipment purchased throughout the year and small remodeling projects at the high school during the year.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%
Construction in progress	60,004	14,373	-	-	60,004	14,373	317.48%
Buildings and improvements	6,990,707	7,125,139	-	-	6,990,707	7,125,139	-1.89%
Improvements other than buildings	221,801	226,805	-	-	221,801	226,805	-2.21%
Furniture and equipment	<u>564,421</u>	<u>484,095</u>	<u>53,260</u>	<u>46,778</u>	<u>617,681</u>	<u>530,873</u>	16.35%
Totals	<u>\$7,880,233</u>	<u>\$7,893,712</u>	<u>\$ 53,260</u>	<u>\$ 46,778</u>	<u>\$7,933,493</u>	<u>\$7,940,490</u>	-.09%

Long-Term Debt

At June 30, 2011, the District had \$4,265,754 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 7.68% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General obligation bonds	\$ 3,370,000	\$ 3,710,000	-9.16%
Revenue bonds	675,000	850,000	-20.59%
Capital loan notes	-	-	0%
Capital leases	-	-	0%
Early retirement	128,654	17,308	643.32%
Net OPEB Liability	<u>92,100</u>	<u>43,100</u>	113.69%
Total	<u>\$ 4,265,754</u>	<u>\$ 4,620,408</u>	-7.68%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of circumstances that could affect its financial health in the future:

- Tipton Community School District has experienced a stable enrollment in the past couple years. The District expects to hold stable over the next few years.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. The state announced a 0% allowable growth for the 2011-2012 fiscal year and a 2% allowable growth for the 2012-2013 fiscal year. These allowable growth amounts are more than offset by increased salary and benefit packages offered within the district.
- The Governor's Blueprint for Education may affect the financial health of the District. Many questions remain regarding how these possible changes will affect school finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6th Street, Tipton, Iowa 52772.

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Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,712,808	\$ 31,138	\$ 3,743,946
Receivables:			
Property tax:			
Current year	35,343	-	35,343
Succeeding year	2,832,000	-	2,832,000
Income surtax	429,182	-	429,182
Accrued interest	874	-	874
Accounts	3,471	-	3,471
Due from other governments	397,555	-	397,555
Inventories	-	20,396	20,396
Capital assets, net of accumulated depreciation (note 4)	7,880,233	53,260	7,933,493
Total assets	15,291,466	104,794	15,396,260
Liabilities			
Accounts payable	68,092	-	68,092
Salaries and benefits payable	759,736	22,831	782,567
Due to other governments	107,571	-	107,571
Accrued interest payable	23,678	-	23,678
Deferred revenue:			
Succeeding year property tax	2,832,000	-	2,832,000
Other	104,006	-	104,006
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	32,654	-	32,654
Bonds payable	540,000	-	540,000
Portion due after one year:			
Early retirement	96,000	-	96,000
Bonds payable	3,505,000	-	3,505,000
Net OPEB liability	92,100	-	92,100
Total liabilities	8,160,837	22,831	8,183,668

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 3,835,233	\$ 53,260	\$ 3,888,493
Restricted for:			
Categorical funding (note 10)	129,285	-	129,285
Management levy	28,671	-	28,671
Other special revenue purposes	434,394	-	434,394
Debt service	221,375	-	221,375
Physical plant and equipment levy	586,653	-	586,653
Capital projects	637,350	-	637,350
Unrestricted	1,257,668	28,703	1,286,371
Total net assets	\$ 7,130,629	\$ 81,963	\$ 7,212,592

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 5,611,945	\$ 990,818	\$ 922,512	\$ -
Support services:				
Student services	247,491	-	236,923	-
Instructional staff services	397,349	-	3,900	-
Administration services	808,213	-	5,730	-
Operation and maintenance of plant services	682,507	3,254	-	-
Transportation services	307,915	-	-	-
	<u>2,443,475</u>	<u>3,254</u>	<u>246,553</u>	<u>-</u>
Non-instructional programs	<u>19,818</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	204,508	-	-	-
Long-term debt interest and fiscal charges	161,781	-	-	-
AEA flowthrough	331,593	-	331,593	-
Depreciation (unallocated) *	221,543	-	-	-
	<u>919,425</u>	<u>-</u>	<u>331,593</u>	<u>-</u>
Total governmental activities	<u>8,994,663</u>	<u>994,072</u>	<u>1,500,658</u>	<u>-</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>500,146</u>	<u>275,695</u>	<u>201,939</u>	<u>20,357</u>
Total	\$ 9,494,809	\$ 1,269,767	\$ 1,702,597	\$ 20,357

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (3,698,615)	\$ -	\$ (3,698,615)
(10,568)	-	(10,568)
(393,449)	-	(393,449)
(802,483)	-	(802,483)
(679,253)	-	(679,253)
(307,915)	-	(307,915)
<u>(2,193,668)</u>	<u>-</u>	<u>(2,193,668)</u>
(19,818)	-	(19,818)
(204,508)	-	(204,508)
(161,781)	-	(161,781)
-	-	-
<u>(221,543)</u>	<u>-</u>	<u>(221,543)</u>
<u>(587,832)</u>	<u>-</u>	<u>(587,832)</u>
<u>(6,499,933)</u>	<u>-</u>	<u>(6,499,933)</u>
-	(2,155)	(2,155)
<u>(6,499,933)</u>	<u>(2,155)</u>	<u>(6,502,088)</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 2,636,474	\$ -	\$ 2,636,474
403,410	-	403,410
160,031	-	160,031
407,594	-	407,594
543,350	-	543,350
3,081,737	-	3,081,737
8,778	62	8,840
51,238	-	51,238
<u>7,292,612</u>	<u>62</u>	<u>7,292,674</u>
792,679	(2,093)	790,586
<u>6,337,950</u>	<u>84,056</u>	<u>6,422,006</u>
<u>\$ 7,130,629</u>	<u>\$ 81,963</u>	<u>\$ 7,212,592</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,116,601	\$ 776,748	\$ 819,459	\$ 3,712,808
Receivables:				
Property tax:				
Current year	27,962	1,745	5,636	35,343
Succeeding year	2,181,000	163,000	488,000	2,832,000
Income surtax	214,591	214,591	-	429,182
Accrued interest	-	-	874	874
Accounts	130	-	3,341	3,471
Due from other governments	137,687	259,868	-	397,555
Total assets	<u>\$ 4,677,971</u>	<u>\$ 1,415,952</u>	<u>\$ 1,317,310</u>	<u>\$ 7,411,233</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 47,597	\$ 15,449	\$ 5,046	\$ 68,092
Salaries and benefits payable	758,744	-	992	759,736
Due to other governments	107,571	-	-	107,571
Deferred revenue:				
Succeeding year property tax	2,181,000	163,000	488,000	2,832,000
Other	318,597	214,591	-	533,188
Total liabilities	<u>3,413,509</u>	<u>393,040</u>	<u>494,038</u>	<u>4,300,587</u>
Fund balances:				
Restricted for:				
Categorical funding (note 10)	129,285	-	-	129,285
Revenue bonds	-	-	69,500	69,500
Revenue bonds sinking fund	-	-	103,500	103,500
Debt service	-	-	58,553	58,553
Management levy purposes	-	-	157,325	157,325
Student activities	-	-	209,725	209,725
Kindergarten enhancement	-	-	224,669	224,669
School infrastructure	-	650,850	-	650,850
Physical plant and equipment	-	372,062	-	372,062
Assigned for:				
Specific instructional services	14,422	-	-	14,422
Wellness	8,772	-	-	8,772
COBRA retiree insurance	863	-	-	863
Unassigned	1,111,120	-	-	1,111,120
Total fund balances	<u>1,264,462</u>	<u>1,022,912</u>	<u>823,272</u>	<u>3,110,646</u>
Total liabilities and fund balances	<u>\$ 4,677,971</u>	<u>\$ 1,415,952</u>	<u>\$ 1,317,310</u>	<u>\$ 7,411,233</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 3,110,646
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,880,233
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	429,182
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(23,678)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,265,754)</u>
Net assets of governmental activities	<u><u>\$ 7,130,629</u></u>
See notes to financial statements.	

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,734,946	\$ 913,760	\$ 513,301	\$ 4,162,007
Tuition	513,656	-	-	513,656
Other	142,512	801	366,736	510,049
Intermediate sources	30,383	-	-	30,383
State sources	4,068,901	113	361	4,069,375
Federal sources	515,262	-	-	515,262
Total revenues	8,005,660	914,674	880,398	9,800,732
Expenditures:				
Current:				
Instruction	5,139,409	-	336,246	5,475,655
Support services:				
Student services	245,884	-	-	245,884
Instructional staff services	374,266	95,140	-	469,406
Administration services	732,906	48,701	60,201	841,808
Operation and maintenance of plant services	650,508	-	38,751	689,259
Transportation services	228,303	89,451	23,294	341,048
	2,231,867	233,292	122,246	2,587,405
Non-instructional programs	18,462	-	-	18,462
Other expenditures:				
Facilities acquisition	-	245,942	-	245,942
Long term debt:				
Principal	-	-	515,000	515,000
Interest and fiscal charges	-	-	166,203	166,203
AEA flowthrough	331,593	-	-	331,593
	331,593	245,942	681,203	1,258,738
Total expenditures	7,721,331	479,234	1,139,695	9,340,260
Excess (deficiency) of revenues over (under) expenditures	284,329	435,440	(259,297)	460,472

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	-	17,500	278,800	296,300
Interfund transfers out (note 3)	-	(278,800)	(17,500)	(296,300)
Total other financing sources (uses)	-	(261,300)	261,300	-
Net change in fund balances	284,329	174,140	2,003	460,472
Fund balances beginning of year, as restated (note 13)	980,133	848,772	821,269	2,650,174
Fund balances end of year	<u>\$ 1,264,462</u>	<u>\$ 1,022,912</u>	<u>\$ 823,272</u>	<u>\$ 3,110,646</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 460,472

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 308,785	
Depreciation expense	<u>(322,264)</u>	(13,479)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. (13,390)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 515,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,422

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(111,346)	
Net OPEB liability	<u>(49,000)</u>	<u>(160,346)</u>

Change in net assets of governmental activities \$ 792,679

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Assets		
Cash and cash equivalents	\$ 31,138	\$ 5,313
Inventories	20,396	-
Capital assets, net of accumulated depreciation (note 4)	<u>53,260</u>	<u>-</u>
Total assets	<u>104,794</u>	<u>5,313</u>
Liabilities		
Salaries and benefits payable	<u>22,831</u>	<u>-</u>
Net Assets		
Invested in capital assets	53,260	-
Unrestricted	<u>28,703</u>	<u>5,313</u>
Total net assets	<u>\$ 81,963</u>	<u>\$ 5,313</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	<u>Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 275,695	\$ 43,150
Operating expenses:		
Non-instructional programs:		
Salaries	148,859	-
Benefits	75,193	-
Purchased services	7,886	-
Supplies	251,439	-
Depreciation	16,769	-
Other	-	42,602
	<u>500,146</u>	<u>42,602</u>
Operating income (loss)	(224,451)	548
Non-operating revenues:		
Interest on investments	62	1
Capital contributions	20,357	-
Contributions	18,462	-
State sources	4,066	-
Federal sources	179,411	-
Total non-operating revenues	<u>222,358</u>	<u>1</u>
Change in net assets	(2,093)	549
Net assets beginning of year	<u>84,056</u>	<u>4,764</u>
Net assets end of year	\$ <u><u>81,963</u></u>	\$ <u><u>5,313</u></u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise School Nutrition	Internal Service Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 249,722	\$ -
Cash received from miscellaneous operating activities	26,382	43,150
Cash payments to employees for services	(208,766)	-
Cash payments to suppliers for goods or services	<u>(226,258)</u>	<u>(42,602)</u>
Net cash provided by (used by) operating activities	<u>(158,920)</u>	<u>548</u>
Cash flows from non-capital financing activities:		
State grants received	4,066	-
Federal grants received	<u>152,330</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>156,396</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(2,894)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>62</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(5,356)	549
Cash and cash equivalents beginning of year	<u>36,494</u>	<u>4,764</u>
Cash and cash equivalents end of year	<u>\$ 31,138</u>	<u>\$ 5,313</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (224,451)	\$ 548
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	16,769	-
Commodities used	27,081	-
Contributed health insurance	18,462	-
Decrease in due from other governments	409	-
Decrease in inventories	5,986	-
(Decrease) in salaries and benefits payable	<u>(3,176)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (158,920)</u>	<u>\$ 548</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$27,081 of federal commodities, \$18,462 of health insurance benefits contributed by the General Fund, and \$20,357 of equipment contributed by the Capital Projects, Physical Plant and Equipment Levy Fund.

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 393,498	\$ 9,378
Accrued interest receivable	2,096	-
Accounts receivable	<u>-</u>	<u>193</u>
Total assets	<u>395,594</u>	<u>9,571</u>
Liabilities:		
Other payables	<u>-</u>	<u>9,571</u>
Net assets:		
Reserved for scholarships	\$ <u><u>395,594</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 10,200
Interest	<u>7,116</u>
Total additions	<u>17,316</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>62,300</u>
Change in net assets	(44,984)
Net assets beginning of year	<u>440,578</u>
Net assets end of year	<u><u>\$ 395,594</u></u>
See notes to financial statements.	

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tipton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Tipton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cedar County Assessor's Conference Board.

The District appoints the trustees of the Tipton School Foundation, Inc. board, which is considered a related organization.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

TIPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>3,086,034</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 278,800
Capital Projects	Debt Service	<u>17,500</u>
Total		\$ <u>296,300</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Construction in progress	14,373	99,563	53,932	60,004
Total capital assets not being depreciated	57,673	99,563	53,932	103,304
Capital assets being depreciated:				
Buildings	10,580,640	53,932	-	10,634,572
Improvements other than buildings	511,036	20,721	17,277	514,480
Furniture and equipment	1,346,555	188,501	13,448	1,521,608
Total capital assets being depreciated	12,438,231	263,154	30,725	12,670,660
Less accumulated depreciation for:				
Buildings	3,455,501	188,364	-	3,643,865
Improvements other than buildings	284,231	25,725	17,277	292,679
Furniture and equipment	862,460	108,175	13,448	957,187
Total accumulated depreciation	4,602,192	322,264	30,725	4,893,731
Total capital assets being depreciated, net	7,836,039	(59,110)	-	7,776,929
Governmental activities capital assets, net	\$ <u>7,893,712</u>	\$ <u>40,453</u>	\$ <u>53,932</u>	\$ <u>7,880,233</u>
Business-type activities:				
Furniture and equipment	\$ 244,887	\$ 23,251	\$ 1,269	\$ 266,869
Less accumulated depreciation	198,109	16,769	1,269	213,609
Business-type activities capital assets, net	\$ <u>46,778</u>	\$ <u>6,482</u>	\$ <u>-</u>	\$ <u>53,260</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 9,323
Support services:	
Instructional staff	23,857
Administration	9,926
Operation and maintenance of plant services	1,859
Transportation	55,756
	<u>100,721</u>
Unallocated depreciation	<u>221,543</u>

Total governmental activities depreciation expense	\$ <u><u>322,264</u></u>
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Business-type activities:

Food service operations	\$ <u><u>16,769</u></u>
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TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 17,308	\$ 120,000	\$ 8,654	\$ 128,654	\$ 32,654
General obligation bonds	3,710,000	-	340,000	3,370,000	355,000
Revenue bonds	850,000	-	175,000	675,000	185,000
Net OPEB liability	43,100	49,000	-	92,100	-
Total	<u>\$ 4,620,408</u>	<u>\$ 169,000</u>	<u>\$ 523,654</u>	<u>\$ 4,265,754</u>	<u>\$ 572,654</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of full-time continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$30,000. Early retirement benefits will be paid annually over five years into a 403(b) account.

At June 30, 2011, the District has obligations to five participants with a total liability of \$128,654. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$8,654. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds Issue dated January 5, 2005			
	Interest Rates	Principal	Interest	Total
2012	3.30 %	\$ 105,000	\$ 66,793	\$ 171,793
2013	3.35	110,000	63,327	173,327
2014	3.45	110,000	59,643	169,643
2015	3.55	115,000	55,847	170,847
2016	3.65	120,000	51,765	171,765
2017-2021	3.80-4.10	675,000	186,315	861,315
2022-2024	4.20-4.30	485,000	42,040	527,040
		<u>\$ 1,720,000</u>	<u>\$ 525,730</u>	<u>\$ 2,245,730</u>

Year Ending June 30,	General Obligation Bonds Refunding Issue dated March 15, 2005			
	Interest Rates	Principal	Interest	Total
2012	3.30 %	\$ 250,000	\$ 55,340	\$ 305,340
2013	3.30	260,000	47,090	307,090
2014	3.30	270,000	38,510	308,510
2015	3.30	280,000	29,600	309,600
2016	3.40	290,000	20,360	310,360
2017	3.50	300,000	10,500	310,500
		<u>\$ 1,650,000</u>	<u>\$ 201,400</u>	<u>\$ 1,851,400</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2012	\$ 355,000	\$ 122,133	\$ 477,133
2013	370,000	110,417	480,417
2014	380,000	98,153	478,153
2015	395,000	85,447	480,447
2016	410,000	72,125	482,125
2017-2021	975,000	196,815	1,171,815
2022-2024	485,000	42,040	527,040
	<u>\$ 3,370,000</u>	<u>\$ 727,130</u>	<u>\$ 4,097,130</u>

Revenue Bonds

Details of the District's June 30, 2011 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.00 %	\$ 185,000	\$ 25,200	\$ 210,200
2013	4.00	190,000	17,700	207,700
2014	4.00	200,000	10,000	210,000
2015	4.00	100,000	2,000	102,000
		<u>\$ 675,000</u>	<u>\$ 54,900</u>	<u>\$ 729,900</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$1,400,000 bonds issued in June 2006. The bonds were issued for the purpose of financing a portion of the costs of an elementary school upgrade. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 20 to 40 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$729,900. For the current year, \$207,300 of principal and interest were paid on the bonds and total statewide sales and services tax revenues were \$543,350.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) Commencing August 1, 2006 through June 1, 2007, monthly deposits of \$4,545 were required to be made to the Reserve Fund. Commencing July 1, 2007 monthly deposits of \$4,167 were required to be made to the Reserve Fund until the maximum reserve requirement of 10% of stated principal amount is met. The Reserve Fund is used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- b) All proceeds from the local option sales and services tax shall be placed in the Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) All monies remaining in the Revenue Account after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 107 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	56,700
Interest on net OPEB obligation		1,100
Adjustment to annual required contribution		<u>(4,400)</u>
Annual OPEB cost		53,400
Contributions made		<u>(4,400)</u>
Increase in net OPEB obligation		49,000
Net OPEB obligation beginning of year		<u>43,100</u>
Net OPEB obligation end of year	\$	<u><u>92,100</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$4,400 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 53,400	8.2%	\$ 92,100

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$382,297, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$382,297. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,910,000, and the ratio of the UAAL to covered payroll was 7.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$336,101, \$311,130, and \$281,769, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Tipton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$331,593 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Beginning teacher mentoring and induction	\$ 1,875
Salary improvement program	42,358
Professional development for model core curriculum	22,861
Professional development	20,817
Market factor incentives	357
Four year old preschool	38,164
School ready children	2,853
	<hr/>
Total	\$ <u>129,285</u>

Note 11. Construction Commitments

The District has entered into a contract totaling \$429,427 for pool renovations. As of June 30, 2011, work had not yet begun on the project.

Note 12. Contingency

The District has one ongoing lawsuit. The District's insurance carrier is providing coverage for the lawsuit. The outcome of the case can not be determined at this time.

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 501,486	\$ 347,286
Change in fund type classification per implementation of GASB Statement No. 54	<u>347,286</u>	<u>(347,286)</u>
Balances July 1, 2010, as restated	<u>\$ 848,772</u>	<u>\$ -</u>

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Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,185,712	\$ 314,576	\$ 5,500,288	\$ 5,106,720	\$ 5,106,720	\$ 393,568
Intermediate sources	30,383	-	30,383	24,000	24,000	6,383
State sources	4,069,375	4,066	4,073,441	4,426,076	4,426,076	(352,635)
Federal sources	515,262	179,411	694,673	350,500	350,500	344,173
Total revenues	9,800,732	498,053	10,298,785	9,907,296	9,907,296	391,489
EXPENDITURES/EXPENSES:						
Instruction	5,475,655	-	5,475,655	5,508,548	5,508,548	32,893
Support services	2,587,405	-	2,587,405	2,565,762	2,565,762	(21,643)
Non-instructional programs	18,462	500,146	518,608	510,900	535,900	17,292
Other expenditures	1,258,738	-	1,258,738	1,837,794	1,837,794	579,056
Total expenditures/expenses	9,340,260	500,146	9,840,406	10,423,004	10,448,004	607,598
Excess (deficiency) of revenues over (under) expenditures/ expenses	460,472	(2,093)	458,379	(515,708)	(540,708)	999,087
Balance beginning of year	2,650,174	84,056	2,734,230	2,115,183	2,115,183	619,047
Balance end of year	\$ <u>3,110,646</u>	\$ <u>81,963</u>	\$ <u>3,192,609</u>	\$ <u>1,599,475</u>	\$ <u>1,574,475</u>	\$ <u>1,618,134</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$25,000.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 382	\$ 382	0.0%	\$ 4,747	8.1%
2011	July 1, 2009	-	382	382	0.0%	4,910	7.8%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue				
	Management Levy	Student Activity	District Support Trust	Debt Service	Total
Assets					
Cash and pooled investments	\$ 156,088	\$ 211,730	\$ 224,487	\$ 227,154	\$ 819,459
Receivables:					
Property tax:					
Current year	1,237	-	-	4,399	5,636
Succeeding year	121,000	-	-	367,000	488,000
Accrued interest	-	492	382	-	874
Accounts	-	3,341	-	-	3,341
Total assets	<u>\$ 278,325</u>	<u>\$ 215,563</u>	<u>\$ 224,869</u>	<u>\$ 598,553</u>	<u>\$ 1,317,310</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 4,846	\$ 200	\$ -	\$ 5,046
Salaries and benefits payable	-	992	-	-	992
Deferred revenue:					
Succeeding year property tax	121,000	-	-	367,000	488,000
Total liabilities	<u>121,000</u>	<u>5,838</u>	<u>200</u>	<u>367,000</u>	<u>494,038</u>
Fund balances:					
Restricted for:					
Revenue bonds	-	-	-	69,500	69,500
Revenue bonds sinking fund	-	-	-	103,500	103,500
Debt service	-	-	-	58,553	58,553
Management levy purposes	157,325	-	-	-	157,325
Student activities	-	209,725	-	-	209,725
Kindergarten enhancement	-	-	224,669	-	224,669
Total fund balances	<u>157,325</u>	<u>209,725</u>	<u>224,669</u>	<u>231,553</u>	<u>823,272</u>
Total liabilities and fund balances	<u>\$ 278,325</u>	<u>\$ 215,563</u>	<u>\$ 224,869</u>	<u>\$ 598,553</u>	<u>\$ 1,317,310</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue				
	Management Levy	Student Activity	District Support Trust	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 110,175	\$ -	\$ -	\$ 403,126	\$ 513,301
Other	9,276	353,424	3,825	211	366,736
State sources	77	-	-	284	361
Total revenues	<u>119,528</u>	<u>353,424</u>	<u>3,825</u>	<u>403,621</u>	<u>880,398</u>
Expenditures:					
Current:					
Instruction	8,654	325,001	2,591	-	336,246
Support services:					
Administration services	60,201	-	-	-	60,201
Operation and maintenance of plant services	38,632	119	-	-	38,751
Transportation services	6,742	16,552	-	-	23,294
Other expenditures:					
Long term debt:					
Principal	-	-	-	515,000	515,000
Interest and fiscal charges	-	-	-	166,203	166,203
Total expenditures	<u>114,229</u>	<u>341,672</u>	<u>2,591</u>	<u>681,203</u>	<u>1,139,695</u>
Excess (deficiency) of revenues over (under) expenditures	5,299	11,752	1,234	(277,582)	(259,297)
Other financing sources (uses):					
Interfund transfers in	-	-	-	278,800	278,800
Interfund transfers out	-	-	-	(17,500)	(17,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,300</u>	<u>261,300</u>
Net change in fund balances	5,299	11,752	1,234	(16,282)	2,003
Fund balances beginning of year	<u>152,026</u>	<u>197,973</u>	<u>223,435</u>	<u>247,835</u>	<u>821,269</u>
Fund balances end of year	<u>\$ 157,325</u>	<u>\$ 209,725</u>	<u>\$ 224,669</u>	<u>\$ 231,553</u>	<u>\$ 823,272</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 393,307	\$ 383,441	\$ 776,748
Receivables:			
Property tax:			
Current year	-	1,745	1,745
Succeeding year	-	163,000	163,000
Income surtax	-	214,591	214,591
Due from other governments	259,868	-	259,868
Total assets	<u>\$ 653,175</u>	<u>\$ 762,777</u>	<u>\$ 1,415,952</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	2,325	13,124	15,449
Deferred revenue:			
Succeeding year property tax	-	163,000	163,000
Other	-	214,591	214,591
Total liabilities	<u>2,325</u>	<u>390,715</u>	<u>393,040</u>
Fund balances:			
Restricted for:			
School infrastructure	650,850	-	650,850
Physical plant and equipment	-	372,062	372,062
Total fund balances	<u>650,850</u>	<u>372,062</u>	<u>1,022,912</u>
Total liabilities and fund balances	<u>\$ 653,175</u>	<u>\$ 762,777</u>	<u>\$ 1,415,952</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 543,350	\$ 370,410	\$ 913,760
Other	404	397	801
State sources	-	113	113
Total revenues	<u>543,754</u>	<u>370,920</u>	<u>914,674</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	95,140	-	95,140
Administration services	-	48,701	48,701
Transportation services	-	89,451	89,451
Other expenditures:			
Facilities acquisition	37,950	207,992	245,942
Total expenditures	<u>133,090</u>	<u>346,144</u>	<u>479,234</u>
Excess of revenues over expenditures	410,664	24,776	435,440
Other financing sources (uses):			
Operating transfers in	17,500	-	17,500
Operating transfers out	<u>(278,800)</u>	-	<u>(278,800)</u>
Total other financing sources (uses)	<u>(261,300)</u>	-	<u>(261,300)</u>
Net change in fund balances	149,364	24,776	174,140
Fund balances beginning of year, as restated	<u>501,486</u>	<u>347,286</u>	<u>848,772</u>
Fund balances end of year	<u>\$ 650,850</u>	<u>\$ 372,062</u>	<u>\$ 1,022,912</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 2,770	\$ 8,746	\$ 9,867	\$ 1,649
Forensics	7,540	4,879	3,780	8,639
Choir	2,703	3,812	5,188	1,327
Instrumental Music	5,921	2,736	1,723	6,934
Middle School Music	99	1,639	1,624	114
High School Band Color Guard	393	-	-	393
High School Athletics	20,693	64,655	84,060	1,288
Cross Country Special	15	2,060	1,594	481
Golf Special	365	4,025	2,755	1,635
Boys Basketball Special	2,765	3,576	3,684	2,657
Football Special	5,481	24,395	27,879	1,997
Baseball Special	941	9,431	9,922	450
Boys Track Special	2,322	4,034	4,484	1,872
Wrestling Special	2,542	9,935	8,872	3,605
Girls Basketball Special	5,175	9,298	13,720	753
Volleyball Special	5,149	8,951	8,014	6,086
Softball Special	3,586	3,401	2,483	4,504
Girls Track Special	350	-	211	139
Athletic Strength & Conditioning	7,561	4,040	2,104	9,497
Donald Crock Memorial Weight Equipment	-	40,000	-	40,000
Girls Swimming Special	602	835	1,348	89
Academic Decathlon	-	1,770	1,770	-
Art Club	848	436	968	316
Thespians	98	1,392	1,233	257
Honor Society	-	493	493	-
Football Cheerleaders	(140)	10,138	6,596	3,402
Basketball Cheerleaders	420	-	-	420
Wrestling Cheerleaders	1,851	1,465	1,234	2,082
High School Student Council	7,434	1,305	4,651	4,088
FFA	10,151	24,086	26,240	7,997
FCCLA	1,044	6,070	4,581	2,533
Yearbook	8,254	10,255	11,316	7,193
Spanish	40	177	-	217
Elementary Grade Fund	6,854	11,610	9,435	9,029
Invention Convention	119	-	-	119
Middle School Yearbook	87	2,565	2,652	-
Middle School Activity Fund	1,430	17,961	14,980	4,411
Middle School Athletics	-	10,771	10,771	-
MDT Fund	324	1,492	1,389	427
Middle School Lifeskills	408	791	817	382
Jump Rope for Heart	702	-	-	702

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School Student Council	\$ 412	\$ 419	\$ 164	\$ 667
Gifted and Talented	199	-	-	199
Elementary TAG	321	-	-	321
Class of 2011	336	46	382	-
Class of 2012	2,356	19,524	20,586	1,294
Class of 2013	239	751	329	661
Class of 2014	-	420	19	401
Tigerette Dance Squad	2,489	4,549	4,905	2,133
Investment Account Interest	73,763	2,522	11,468	64,817
Special Projects	961	1,918	1,331	1,548
Activity Tickets	-	50	50	-
Transportation	-	10,000	10,000	-
Total	\$ <u>197,973</u>	\$ <u>353,424</u>	\$ <u>341,672</u>	\$ <u>209,725</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 9,118	\$ 7,360	\$ 7,100	\$ 9,378
Accounts receivable	-	193	-	193
	<u>9,118</u>	<u>7,553</u>	<u>7,100</u>	<u>9,571</u>
Total assets	\$ <u>9,118</u>	\$ <u>7,553</u>	\$ <u>7,100</u>	\$ <u>9,571</u>
Liabilities				
Other payables	\$ <u>9,118</u>	\$ <u>7,553</u>	\$ <u>7,100</u>	\$ <u>9,571</u>

See accompanying independent auditor's report.

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TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 4,162,007	\$ 3,818,350	\$ 3,721,436	\$ 3,705,645
Tuition	513,656	454,684	432,158	564,210
Other	510,049	345,053	396,192	515,771
Intermediate sources	30,383	30,629	23,409	28,510
State sources	4,069,375	3,623,567	4,081,829	3,963,555
Federal sources	515,262	750,321	275,527	147,642
Total revenues	<u>\$ 9,800,732</u>	<u>\$ 9,022,604</u>	<u>\$ 8,930,551</u>	<u>\$ 8,925,333</u>
Expenditures:				
Instruction	\$ 5,475,655	\$ 5,175,067	\$ 4,985,836	\$ 4,740,671
Support services:				
Student services	245,884	230,682	234,799	224,472
Instructional staff services	469,406	375,483	379,133	357,069
Administration services	841,808	801,923	770,167	750,366
Operation and maintenance of plant services	689,259	686,938	656,989	612,096
Transportation services	341,048	305,485	318,296	313,045
Non-instructional programs	18,462	37,999	61,259	46,322
Other expenditures:				
Facilities acquisition	245,942	197,003	546,262	194,041
Long-term debt:				
Principal	515,000	505,000	480,000	600,732
Interest and fiscal charges	166,203	183,405	199,558	220,324
AEA flowthrough	331,593	328,048	287,197	273,614
Total expenditures	<u>\$ 9,340,260</u>	<u>\$ 8,827,033</u>	<u>\$ 8,919,496</u>	<u>\$ 8,332,752</u>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	3,499,396	\$ 3,347,746	\$ 3,141,934
	557,699	575,238	418,697
	455,001	505,022	345,796
	33,830	-	-
	3,492,687	3,418,405	3,282,078
	177,607	186,231	215,590
	<u>\$ 8,216,220</u>	<u>\$ 8,032,642</u>	<u>\$ 7,404,095</u>
\$	4,541,923	\$ 4,260,694	\$ 4,329,539
	208,885	198,545	186,142
	306,552	399,113	438,747
	698,086	712,732	668,015
	609,347	571,910	562,547
	216,528	207,774	156,664
	-	-	39,178
	1,113,924	981,799	2,468,005
	466,512	3,053,645	268,645
	195,487	402,845	263,245
	247,228	237,619	231,345
	<u>\$ 8,604,472</u>	<u>\$ 11,026,676</u>	<u>\$ 9,612,072</u>

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 22,296
National School Lunch Program	10.555	FY 11	130,034
National School Lunch Program (non-cash)	10.555	FY 11	27,081
			<u>179,411</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	6408G	75,434
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	22,962
			<u>98,396</u>
Advanced Placement Program	84.330	FY 11	<u>114</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>26,475</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>5,616</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education			
State Grants, Recovery Act	84.394	FY 11	43,397
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	38,708
			<u>82,105</u>
Education Jobs Fund	84.410	FY 11	<u>60,889</u>
Grant Wood Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	41,716
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	46,400
			<u>88,116</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>4,744</u>
Total			\$ <u>545,866</u>

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Tipton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Tipton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tipton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Tipton Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tipton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Tipton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tipton Community School District and other parties to whom Tipton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tipton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 12, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Tipton Community School District:

Compliance

We have audited Tipton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Tipton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Tipton Community School District's management. Our responsibility is to express an opinion on Tipton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tipton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Tipton Community School District's compliance with those requirements.

In our opinion, Tipton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Tipton Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Tipton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tipton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tipton Community School District and other parties to whom Tipton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
October 12, 2011

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
 - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Tipton Community School District did not qualify as a low-risk auditee.

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the support services functions.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-11 Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	501,486	
Revenues/transfers in:				
Sales tax revenues	\$	543,350		
Interest		404		
Transfers from other funds:				
Debt service fund		<u>17,500</u>	<u>561,254</u>	
Expenditures/transfers out:				
School infrastructure construction		37,950		
Equipment		95,140		
Transfers to other funds:				
Debt Service Fund		<u>278,800</u>	<u>411,890</u>	
Ending balance			\$	<u><u>650,850</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.31	\$ 70,000

TIPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-M-11 General Fund Subsidy of School Nutrition Fund – We noted during the audit that the General Fund is subsidizing the School Nutrition Fund by paying a portion of the employees' health insurance. During the year ended June 30, 2011, the General Fund contributed \$18,462 to the School Nutrition Fund to pay for employee benefits. This is considered to be a permanent transfer since the School Nutrition Fund is not expected to repay the General Fund for these benefits.

Recommendation – The School Nutrition Fund is supposed to support its own operations through the collection of fees for meals served, without subsidy from other District funds. The District should consider alternatives to make the School Nutrition Fund entirely self-sufficient.

Response – We will continue to investigate alternatives to eliminate future subsidizing of the School Nutrition Fund by other District funds. The amount of the subsidy needed each year has been decreasing.

Conclusion – Response accepted.